

**Testimony of Professor Shaomin Li  
Before the U.S. China Commission  
China's Political Reform is the Key to US-China Relations  
September 23, 2002**

**Mr. Chairman, Honorable Commissioners,**

Thank you for inviting me to address the Commission today on China's political and economic development.

I have been studying China's development since the late 1970s from both academic and business perspectives. I studied the political economy of China at Peking University in the late 1970s, and later continued my study at Princeton and Harvard, taught the subject at universities in the U.S., China and Hong Kong, and worked as a director at AT&T EastGate Services in charge of China's market development. Last year, the Chinese secret police illegally detained me for five months, allowing me the opportunity to conduct a "participatory observation" of the operation of China's legal system, which is often not very "legal" by their own definition.

The topic of our panel is "China's leadership succession and its implications". Much research and analyses have centered on this topic. However, the efforts of these studies at the micro or personnel level have failed to produce any theoretical or practical knowledge, for reasons I will address subsequently. First I would like to take a macro historical approach to better understand these issues.

**Economic development does not automatically lead to democracy**

China's economy has been growing rapidly and its market has expanded with equal fervor. The prevalent view holds that this economic development will be spontaneously followed by political change in the form of democratization. The international business community, especially executives of multinational corporations doing business in China, clings to this view.

While economic liberalization is a necessary precursor for political liberalization, it does not guarantee the latter. History provides copious examples of economic development that did not lead to democracy.

Before World War II, both Germany and Japan initiated economic revitalization measures and achieved faster economic growth than most other Western countries. For instance, during 1930 and 1935, Japan's industrial output grew 50% while that of Germany grew 9%. In contrast, the industrial output of both France and the United States contracted during the same period. Economic development did not lead to democracy for Japan and Germany; the increased economic power combined with rising nationalism

accelerated their march toward war.

In today's China, after 25 years of economic reform, the Chinese economy is about 30 times as large as it was a quarter century ago. This expanded economy, however, is still ruled by a dictatorial party in a non-democratic society. Recent events indicate that the party has been tightening up its political control while concurrently evidencing no systematic improvement in its violations of human rights.

### **The whole country is a hostage**

Last month, the Chinese government detained Dr. Wan Yanhai, an AIDS activist in Beijing, for leaking "state secrets." Such an action provoked a strong international outcry. Even the United Nations, historically very restrained in criticizing the Chinese government, issued a statement condemning such an act.

A few weeks ago, it was discovered that Chinese Internet users are now blocked from accessing some popular search engines such as google.com and altavista.com. In fear of being blocked, Yahoo, signed a pledge not to distribute any materials the Chinese government deemed "harmful," as per the government's request.

These events demonstrate the futility of hoping that economic development will automatically beget democracy. Ironically, China's increased market size and the state's monopoly of business opportunities has enriched the government's power. Control of the entrance gate to the Chinese market allows the government to easily press its advantage with the many foreign companies waiting to enter. By clearly dictating the dos and don'ts of foreign companies that want to enter China, such as Yahoo, the message is clear. If you don't play by the Chinese government's rules, someone else will.

This power to hold the entire country hostage gives the Chinese government confidence in violating human rights as it sees fit, for it seems that the multinational companies and even many foreign governments cannot afford to criticize China too much lest they lose market entry there.

### **Political reform is the key to U.S.-China relations**

At the same time, the Chinese leaders have a compelling desire to become a full-fledged member of the international community and especially to form some sort of an alliance with the U.S. It is a fair statement to say that they are striving to achieve this. The fact that Chinese president Jiang Zemin is paying another visit to this country supports this argument.

Certainly, a positive U.S.-China relationship is beneficial not only to both countries, but also to the world. However, the Chinese leaders seem to have missed the point that without democratization any alliance or close relation with the U.S. is impossible.

The United States upholds a set of core political principles embodied in the Declaration

of Independence and the Constitution; among them are liberty, democracy, and the rule of law.

The Chinese leaders are pragmatic and don't believe in such principles. Principles to them are merely means to rule. They tend to view the U.S. government as fellow pragmatists who will conveniently discard principles as needed. This misperception has led Chinese leaders to believe that China, under totalitarian rule, can build close relations or even an alliance with the U.S. as long as China provides assistance in the war against terrorism. This misperception has served as the compass guiding the Chinese government's policy. The Chinese government's stand on the Taiwan issue provides further evidence.

The Chinese government states that it will use force to overtake Taiwan if the island proclaims its independence. This violates the fundamental democratic principle of self-determination. To understand this issue, we can take a look at U.S.-Japan-China relations before World War II.

In the early 1930s, Japan invaded China. This action contradicted the principles of the U.S., and fueled both its strong condemnation of Japan's action and its demand for the Japanese to withdraw. At that time Japan was heavily relying on the U.S. for trade and desperately wanted to continue its economic ties with the U.S. Conversely, Japan wanted freedom of action in its aggression in China. China remained the thorniest issue between the U.S. and Japan, an issue that eventually led to the Pearl Harbor attack and war.

Today's U.S.-China-Taiwan relations resemble U.S.-Japan-China relations of the World War II era. The current regime in China wants to develop a closer relationship with the U.S. while at the same time advocating overtaking of Taiwan by any means. The U.S. government should clearly enunciate that as long as China has the intention to use force against Taiwan, a close U.S.-China relationship is not possible. This is simply a restatement of the U.S. government's position on Japan's aggression in China during the 1930s.

The forthcoming 16<sup>th</sup> congress of the Chinese Communist Party and the prospect of leadership succession offer a timely opportunity for the new leadership to realize that democratization is the key to the future U.S.-China relations. The U.S. should use this opportunity to clearly convey to both the current and prospective Chinese leadership that without genuine political reform, U.S.-China relations cannot be improved.

Taiwan's democratization experience provides at least one case study on political reform for the Chinese leadership. Before the late 1980s, Taiwan achieved rapid economic growth without democracy. The Kuomintang's rule was authoritarian and often brought harsh criticisms from the international community, especially from the U.S. Since the early 1980s, the U.S. Congress had been making a series of resolutions urging the authoritarian Kuomintang government in Taiwan to take steps to implement democracy. For example, in 1982 and 1983 the Congress passed resolutions expressing the U.S.'s concern about martial law in Taiwan. In 1984 and 1985, the Congress passed resolutions

concerning the need to achieve full democracy in Taiwan.

The Kuomintang under Chiang Ching-kuo's leadership was resistant to these calls for democracy. This resistance culminated in Henry Liu's assassination. In 1984, the Taiwanese government had sent agents to the U.S. to assassinate Henry Liu, who wrote a biography of Chiang Ching-kuo that Chiang did not like. The assassination provoked an international outcry. The U.S. Congress passed resolutions that strongly condemned the killing and demanded that the Taiwanese officials responsible be brought to trial. In 1987, the Congress passed resolutions concerning representative government, political parties, and freedom of expression on Taiwan. The message from the U.S. was very clear: democratize or lose U.S. support. These pressures from the U.S., along with Taiwan's internal forces for change, eventually led to the birth of opposition parties and free press in Taiwan in the late 1980s, paving the way for Taiwan's democratization.

The histories of Taiwan's democratization and the U.S.-Japan relations before and after World War II clearly show that democracy is the key for long-term positive and stable relations between any country and the U.S.

### **The unpredictable nature of leadership change**

The coming of the CCP's 16<sup>th</sup> congress and the secretive succession game have left China observers to busily guess and decipher what is going on behind the closed doors in Beijing. Academic studies, reports, and analyses abound. However, several factors make these efforts unproductive. First, without clear rules, the succession game is highly uncertain and chaotic, thus rendering all systemic studies impossible. Second, in contrast to the democratic political process, in the Chinese political selection process one must conceal one's true identity in order to be selected. All these factors make the studying of personalities of potential leaders and predicting the succession of the CCP almost useless. Most importantly, the personnel selection process of the CCP makes all survivors opportunists. Grouping them by their ideological leaning is futile. Take the case of Deng Liqun, the leader of the conservative camp. Paradoxically, Deng Liqun was one of the most open-minded reformists in the late 1970s. After he visited the U.S. and Japan during that time, he acknowledged that socialism had lost to capitalism and advocated the abandonment of socialism in China. His open-minded views and reform efforts won him high positions in the party. But, after losing his bid to be the leader of the reform camp, he became a poster child for political opportunism by making a 180-degree turn to become the leader of the conservative camp.

### **China's much needed constitutional reform**

Thus I tend to pay more attention to the institutional changes that are ongoing in China's political and economic systems. These changes have patterns and are more fundamental. One of the most important institutional changes yet to take place is the reform of China's constitution.

In China, where the constitution is not taken seriously, four constitutions were produced

in a short span of 28 years. The first one, written in 1954, paved the way for abolishing private property rights and the dictatorship of the Chinese Communist Party (CCP) after it seized power in 1949. In 1975, the second constitution was written, reflecting the extreme radical ideology of the Cultural Revolution. In 1976, Mao Zedong died and the third constitution was written two years later. In 1982, the fourth constitution was written. Frequent rewriting of the constitution, as one might imagine, does not cultivate the people's respect for it.

China's current constitution has the following characteristics. It was made without any opposition views and no checks and balances of power. It is more like a set of by-laws of "Chinese Socialism, Inc." There is no formal ratification process for the constitution. Instead the power of the state comes from communist ideology. It proclaims that China must follow the "four cardinal principles" – Marxist ideology, CCP rule, people's dictatorship, and socialist road. In sum, the constitution gives the CCP unlimited power to pursue its goal to build a socialist state.

Under such a constitution, the CCP pursues its own agenda in the name of public interests. In the economic domain, the party has been steadfastly exploiting private businesses and property. From the 1950s to the 1970s, the method was outright confiscation. The current constitution states that "socialist public property is inviolable," without conferring the same status to private properties. Private businesses are banned from many key industries such as telecom, aviation, post, and international trade, and are restricted from many other industries. Governmental fees imposed on private businesses are so high that the latter must either evade the fees by bribery or go bankrupt. Corruption is the incentive for party officials to carry out dual-tracked economic reform, in which market forces are introduced and party privileges are maintained. The CCP is the rule-maker, the judge, as well as the biggest player in the economy.

In the political domain, persecution of dissidents, suppression of media freedoms, and other violations of basic human rights are done in the name of state security, which is ultimately sanctioned by the "four cardinal principles" in the constitution. These "four cardinal principles" directly contradict many of the citizen rights given in the constitution. When they are in conflict, the cardinal principles override and the citizen rights are easily swept away. Examples of such conflicts and violations abound. For example, last year the CCP banned people from using satellite dishes to watch foreign TV programs. The ban is in direct violation of each citizen's right of free and private communication mentioned in the constitution. The CCP routinely violates each citizen's right to organize by arresting and severely punishing people who try to form any political groups. All this is done under the "four cardinal principles." "Rule of law" under the state opportunism of the CCP has become "rule by law." Laws exist merely to aid the party in protecting its monopoly.

With economic development and opening up, the Chinese people will realize the unconstitutional nature of the constitution and demand constitutional reform. Thus economic reform should be viewed as merely a part of the constitutional transition. The delay of such a transition has enabled the CCP to maintain a temporary stability, at the

cost of institutionalizing corruption and suppression of human rights. The long-term costs resulting from the lack of constitutional reform may outweigh the short-term gains in economic performance.

One of the most important steps in reforming the constitution is to repudiate the “four cardinal principles.” When Deng Xiaoping instituted the “four principles,” all four were important to him and to his generation. To Jiang Zemin, the most crucial “cardinal principle” is the one-party rule, followed in importance by the people’s dictatorship, which is synonymous with party rule. The remaining two, namely Marxist ideology and the socialist road, are increasingly less important to his generation. Some China observers argue that the new generation of leaders will be better educated, younger (not much though), more technocratic and pragmatic, and have a broader world view. Thus these observers put a great significance to the upcoming leadership change. But I think the key questions are: What “cardinal principles” will the new leadership cling to? Will they give up the one-party rule? No dictatorial party will relinquish its rule unless it faces a strong force of change that can’t be suppressed.

When the pressure for constitutional change is too strong to be suppressed, the change may not be very peaceful. This scenario is not an exaggeration given the fact that the Chinese society does not have a long and deep constitutional tradition or a culture that respects law and order. Therefore, in addition to focusing on leadership successions and some concrete issues, such as trade and human rights, we should pay more attention to the constitutional transition in China.

In conclusion, we should convey a clear message to both the U.S. and Chinese governments that, first, China’s economic development does not automatically lead to democratization. Second, democratization is the key to a long-term close relationship between the two countries. Third, we should pay greater attention to the much needed constitutional reform in China and make our best effort to facilitate such a reform.

Thank you for this opportunity to share my observations on China with you today.